PROPOSALS FOR

IMPROVING THE EFFECTIVENESS OF THE PRIVATE PENSION PLAN SYSTEM IN ALBERTA

Alberta

GOVERNMENT OF ALBERTA

PROPOSALS FOR IMPROVING THE EFFECTIVENESS OF THE PRIVATE PENSION PLAN SYSTEM IN ALBERTA

The Honourable Leslie G. Young
Minister of Labour
May 1, 1984

FOREWORD

This paper, Proposals for Improving the Effectiveness of the Private Pension Plan System in Alberta, is intended as a further step in the review of private pension policy in Alberta. It identifies major issues which have been raised, offers suggestions, and invites comments.

The private pension plan system has been the recent subject of considerable public interest and debate. Several major reports and studies have been completed. These reports and studies have provided a comprehensive analysis of a variety of concerns and have offered a number of alternatives for the improvement of present private pension plans.

The present private pension plan system plays an important role in the provision of retirement income, and as it matures, it will become even more significant than is now the case. It is widely agreed that private pension plans could be a much more integral part of the overall retirement income system a number of changes to improve their effectiveness.

Before the provincial government adopts revised pension policies it wishes to obtain the views and reactions of all Albertans. Accordingly, it has prepared these Proposals for Improving the Effectiveness of the Private Pension plan System in Alberta. In addition, an effective policy will require discussion and co-operation between the provinces and the federal government to ensure a high level of uniformity in the legislative provisions of the various jurisdictions. This will greatly assist the pension industry and those employers who conduct their operations in more than one jurisdiction.

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A. INTRODUCTION

The private pension plan system has been under considerable discussion for a number of years. It is the purpose of this paper to stimulate public discussion in Alberta; to provide basic information about our present pension system; to point out the strengths and weaknesses of the present private pension plan system; to identify the issues which should be addressed at this time; to outline specific policy recommendations; and to invite comments and reactions from all interested Albertans.

From the reports of pension studies made there appears to be a consensus emerging among business, unions and other special interest groups on most issues except mandatory coverage and inflation protection. Consideration of this apparent consensus has been taken into account in developing the specific policy recommendations contained in this paper.

The government will be holding a number of discussions across Alberta in order to obtain the views of all interested Albertans on these policy recommendations. The following discussions have been scheduled:

Edmonton	June 13, 1984	2:00 p.m.	Four Seasons Hotel
Calgary	June 14, 1984	8:30 a.m.	Convention Centre
Lethbridge	June 14, 1984	3:00 p.m.	El Rancho Motor Hotel
Red Deer	June 20, 1984	1:00 p.m.	Capri Centre
Grande Prairie	June 28, 1984	10:30 a.m.	Grande Prairie Motor Inn

In addition, any interested party that wishes to send written comments on this paper may do so by mailing their comments by June 30, 1984 to:

Superintendent of Pensions
Pension Benefits Branch
Alberta Labour
Room 401, 10808 - 99 Avenue
Edmonton, Alberta T5K 0G2

With the benefit of the consultative discussions and the written comments, the government will be in a position to adopt a private pension plan policy which is designed to best serve the interests of all Albertans.

B. THE CURRENT PENSION SYSTEM

The provision of income for retired and elderly persons is currently being provided through a variety of programs. In addition, individual savings and investments contribute to the flow of income for the retired and elderly. These income sources can be divided into four separate tiers.

First Tier

1. The Old Age Security (OAS) program, which provides a monthly benefit to all Canadians who meet the program's Canadian residency test. The benefit is adjusted quarterly based on changes in the Consumer Price Index (Canada).

2. The Guaranteed Income Supplement (GIS), which provides an income-tested monthly benefit to all residents of Canada. The benefit is adjusted quarterly based on changes in the Consumer Price Index (Canada).

3. The Spouse's Allowance, which provides an income-tested monthly benefit to residents of Canada where the pensioner is receiving OAS benefits and the spouse is between the ages of 60 and 65. The benefits are adjusted quarterly based on changes in the Consumer Price Index (Canada).

4. The Alberta Assured Income Plan (AWPP), which provides an income-tested monthly benefit to all residents of Alberta who are over age 65 and are in receipt of GIS benefits. The benefits are adjusted on an ad-hoc basis.

5. The Alberta Widows' Pension Program (AWPP), which provides an income-tested monthly benefit to all widows and widowers resident in Alberta who are age 55 and over but under 65. The benefits are adjusted annually.

The first three programs are provided by the federal government out of current revenue. The AAIP and AWPP are provided out of current revenue by the government of Alberta. A summary of the maximum monthly benefits available under all five programs as at January 1, 1984 is provided in Table 1.

Table 1

Maximum Monthly Benefits At January 1, 1984

	Widow Age 55 To 64	Single Person	Couple Both Age 65 Or Over	Couple One 65 Or Over, One 60 To 64
OAS	-	$263.78	$ 527.56	$ 263.78
GIS	-	$265.60	$ 409.72	$ 204.86
Spouse's Allowance	-	-	-	$ 468.64
AAIP	-	$ 95.00	$ 190.00	$ 95.00
AWPP	$624.00	-	-	-
	$624.00	$624.38	$1127.28	$1032.28

Second Tier

The Canada Pension Plan (CPP) provides a monthly benefit based on covered employment earnings. Coverage is universal and earned benefits are portable. Benefits are funded by a contribution level of 3.6% of earnings in excess of the Year's Basic Exemption (YBE - $2,000 in 1984) up to the Year's Maximum Pensionable Earnings (YMPE - $20,800 in 1984). The contribution level in shared equally between the employee and employer.

The amount of monthly benefit is related to covered earnings up to a maximum of 25% of the average of the YMPE's in the employee's final three years of employment before age 65. The benefit is adjusted annually based on changes in the Consumer Price Index (Canada) and the maximum monthly benefit as at January 1, 1984 was $387.50.

Third Tier

1. Private pension plans provide benefits based on employer contributions and, in many cases, employee contributions. These contributions are invested in the capital markets. The type and amount of benefit provided varies from plan to plan.

2. Deferred Profit Sharing Plans, Thrift and Savings Plans are designed to accumulate funds, which will provide employees with a pool of money which can be used in retirement years. These plans are funded by employer contributions and, in some cases, by employer and employee contributions. The contributions are invested in the capital markets.

Fourth Tier

1. Registered Retirement Savings Plans provide an individual with a mechanism to accumulate funds for retirement. Taxation on contributions up to an annual maximum is deferred until the contributions are used to provide a benefit. The funds are invested in the capital markets.

2. Personal savings accumulated throughout an individual's life through various investments in savings accounts, shares, bonds, mortgages, etc. add to the available income for retirement years.

3. Home and real estate ownership provides an individual with additional disposable income as in the majority of cases the mortgage has been paid and the cost of rental is not present.

In addition to the four tiers of income provision there are many other government sponsored programs that provide subsidies and benefits for the elderly. The private sector also extends certain discounts for the elderly. In total these subsidies and exemptions amount to a significant reduction in the regular costs of goods and services which senior citizens might otherwise have to pay.

C. THE ISSUES AND RECOMMENDATIONS

Recent reports and studies on the pension system in Canada have outlined a variety of possible alternatives for the improvement of private pension plans. The public reaction to these reports has provided additional alternatives which have also been considered.

This section outlines the specific policy alternatives which may be implemented in order to improve the effectiveness of private pension plans.

1. Vesting And Locking-In

About 65% of all private sector pension plans, covering approximately 75% of all Alberta employees in private sector pension plans, require 10 or more years of service or membership to qualify for full vesting. In such cases, even though an employee has been a member of a pension plan, if the employee terminates employment before completing 10 years of service, the employee will not earn an entitlement to a benefit.

The effectiveness of the private pension plan system could be improved by increasing both the number of employees becoming entitled to benefits from private pension plans and also by minimizing the possibility that entitlement is forfeited.

Employees should have the maximum opportunity to build up their pension entitlements over their working career. This requires the preservation of pension benefits and accumulated contributions within the private pension plan system.

Recommendation

After 5 years of service or plan membership the employee should be entitled to the pension benefits accrued for the period served. This means full vesting of benefits earned after the specific date set by legislation.

The total contributions, employer and employee, necessary to provide these benefits, to be locked-in, that is to be held until required to provide a life annuity at retirement.

2. Value Of Vested Benefit (Minimum Employer Input)

Currently, because of the nature of contributory defined benefit pension plans, many terminating employees become entitled to a vested benefit which has been purchased either largely or totally by their own contributions. This is particularly true for most vested employees who terminate on or before age 45 or, in some plans, at an even later age.

Where an employee is required to contribute to a defined benefit plan, the employee's accrued benefit should be paid for in part by employer contributions.

Recommendation

The employer should pay for at least some portion of the accrued vested benefit that the employee becomes entitled to on termination of employment or retirement: for example, either the employer could be required to pay for at least 50% of the accrued vested benefit, or the benefit to be provided by the plan could be required to be not less than 125% of the value of the employee contributions.

3. Interest On Employee Contributions

At present, many employees who terminate employment receive a return of their own contributions with a low rate of credited interest. Some employees just receive their own contributions back with no interest credited whatsoever. The current Alberta legislation does not address the issue of what rate of interest should be credited to employee contributions.

Where an employee is required to contribute to a pension plan, the employee contributions should be credited with interest at a rate comparable with that which is obtainable from reasonable investments.

Recommendation

Employee contributions should be credited with a reasonable current interest rate such as the rate available for non-chequing savings bank accounts.

For money purchase pension plans, the minimum interest rate to be allocated would be that earned by the fund rather than the rate outlined immediately above.

4. Portability

There is no provision in place at this time to enable an employee to transfer the contributions representing the value of accrued vested benefits, earned with several employers over the employees career, into one consolidated pension account.

Most employers allow the employee to transfer the value of the employee contributions out of the pension plan, if the employee contributions are not locked-in. However, few employers allow the employee to transfer the value of the employer contributions out of the plan, and even fewer allow transfers of any kind after the employee is locked-in. The result of this is that the employee becomes entitled to several bits of pension which will be paid from several different sources.

Many employees wish to obtain control over the benefits to which they have become entitled. Inability to transfer accrued benefits to another vehicle without permission of the former employer is a matter of concern to many employees. Ability to transfer the value of accrued benefits will enable employees to assume a greater responsibility for their individual retirement planning.

In addition, the ability to transfer the value of accrued benefits to another vehicle will relieve employers of the cost and difficulties associated with keeping track of accrued benefits for terminated employees until benefits become payable at retirement age.

Recommendation

Upon termination of employment, the employees should have the right to transfer the total value of their accrued benefits to either a locked-in individual retirement savings account, or the new employer's pension plan if the new employer's plan so allows, to the extent the benefit is funded. Any unfunded portion of the accrued benefit to be transferred once it has been fully funded.

5. Disclosure

Currently, legislation required the employer to provide the plan member with a written explanation of the terms of the pension plan and the employee rights and duties with regard to the benefits thereunder. Some employers provide plan members with annual statements of accrued benefits, but many employers do not.

It is very important for the employee to be fully aware of the benefits available under the pension plans and of any requirements which must be met by the employee. Employees must also know the amount of benefits they have accrued or will accrue in the future in order to prepare for their retirement.

Recommendation

Employees should be entitled to full disclosure of information regarding their accrued benefits and accumulated contributions under the pension plan. This disclosure should include access to those pension plan documents which have a direct bearing on their personal benefits, provision of annual statements of accrued benefits, and a statement of benefits and options at termination of employment, retirement, or on death.

6. Survivor Benefits

A few private pension plans automatically provide for a form of retirement pension that continues to pay a reduced amount of pension, upon the death of the employee, to the employee's spouse. This form of pension is usually referred to as a joint and survivor pension.

Almost all plans provide the employee with an option to choose to receive a joint and survivor pension. If the joint and survivor pension is selected, the amount of pension is reduced to be actuarially equivalent to the normal form of pension. In most cases, the employee does not select the joint and survivor pension because of the reduction and as a result, the surviving spouse is left with no pension income on the employee's death.

The situation is most significant for widows. Women tend to be younger than their husbands and also live to an older age than their husbands. Upon the death of the husband, the widow is forced to live without any income from the pension plan if the joint and survivor option was not selected.

If death occurs prior to retirement, most plans provide for only a refund of the value of the deceased employee's contribution to the designated beneficiary. Some plans provide a spousal death benefit, and others provide for a refund of the full value of the accrued vested benefit to the deceased's designated beneficiary.

Recommendation

A married or cohabiting employee shall receive, in lieu of the normal form of pension, an actuarially equivalent joint and survivor pension, which will continue to be paid after the employee's death to the surviving spouse or cohabitant at a rate of 60% of the amount originally paid to the employee. This requirement may be waived by an agreement signed by both the employee and the spouse or cohabitant.

If death occurs prior to retirement, the surviving spouse should receive a survivor benefit based on service to date of death and on the assumption that the employee at normal pension eligibility date would have received the benefit described immediately above.

The surviving spouse would have the choice of leaving the survivor benefit in the pension plan and to have payments commence at the plan's normal pension eligibility date, or of transferring the value of the survivor benefit to a locked-in individual retirement savings account.

This would provide a surviving spouse with a benefit of 60% of the employee's accrued pension payable on the date the employee would have been entitled to receive the first pension payment.

Where there is no surviving spouse, a refund of employee contributions plus credited interest should be made to the designated beneficiary, or if there is no designated beneficiary, to the employee's estate.

7. Division Of Pension Benefits On Marriage Breakdown

Currently, when a divorce or dissolution of a common law relationship occurs the spouse's accrued pension benefits may or may not be taken into account in the disposition of assets acquired during the period of the relationship. Where the accrued pension benefit is taken into account, the division of the pension benefit is treated in a variety of ways including trade-off for other family assets.

While trade-offs of pension benefits for other family assets may be beneficial in some cases, once pension benefits are given up they are not easily replaced and the retirement income protection afforded by the pension benefits in lost. In addition, pension benefits are normally locked-in for the sole purpose of providing retirement income, and therefore any division of pension benefit assets should retain the original character of the pension benefit and be locked-in.

Legislation in Alberta is not specific as to whether or not pension

benefits are considered family property and is silent on how pension benefits should be split.

Recommendation

Legislation should provide that, when divorce or dissolution of a common law relationship occurs, unless the courts or the parties themselves determine otherwise the vested pension benefit earned during the period of the marriage or common law relationship should be split equally between the spouses and retain its character as a pension benefit and be locked-in.

Where the employee is not vested, the value of any employee contributions to the pension plan, which were made during the period of the relationship, should be considered as family assets. The employer contributions should not be taken into consideration, as the employee has not yet earned entitlement to them.

8. Plan Coverage And Membership

In 1982, approximately 43% of Alberta's paid labour force were members of private pension plans. If only the labour force aged 25 to 64 inclusive is examined, this percentage increases to about 54%.

Close to 90% of all the public sector employees are covered by pension plans, but only about 30% of private sector employees in Alberta are members of pension plans.

A very large number of working Albertans are not covered by private pension plans. Many employers, especially those with a small work force, do not maintain a pension plan for their employees. In other situations, the employer's pension plan is voluntary and many employees choose not to become plan members. Still in other situations, certain employees are not eligible to join the pension plan maintained by an employer for a specific class of his employees, because they do not work full-time hours.

Recommendation

Improvement in pension plan coverage could be obtained by:

(a) requiring that employees must be able to join an available pension plan for their class of employment after attainment of 1 year of service,

(b) requiring that part-time or seasonal employees must be allowed to join the employer's plan maintained for their class of employment after attainment of 1 year of service, in which some level of minimum hours of work was performed, for example 600 hours, and

(c) encouraging the expansion of the number of private pension plans through promotional activities and development of appropriate tax programs.

9. Multi-Employer Plans

Plans of this nature cover employees in a particular trade or occupation and are usually established as a result of a negotiated agreement between the union representing the employees and those employers of people in that trade or occupation.

Generally, multi-employer plans provide coverage is situations where mobility of workforce and size of employer corporations prevent single employer plans from being a viable proposition, for example the various trades involved in the construction industry.

Multi-employer plans differ considerably from single employer plans, and as the present legislation was devised with the latter type of pension plan in mind, its provisions do not adequately relate to circumstances connected with multi-employer plans. This often presents difficulties for trustees, administrators and consultants.

Recommendation

Pension legislation has to be readily applicable to all types of plans, therefore the present legislation should be revised to accommodate the different administrative circumstances existing in respect of multi-employer pension plans. However, the entitlements of employees, under multi-employer pension plans, and the minimum legislative standards for these plans should not differ from those applicable to single employer pension plans.

10. Prohibition of OAS Offset

Old Age Security (OAS) benefits are financed out of general taxation revenues, and are payable to everyone meeting the residency qualifications irrespective of their financial status and whether or not they have ever been part of the workforce.

In view of this the benefits under private pension plans should not be offset or reduced by OAS benefits.

Recommendation

It is proposed that a provision should be included in the legislation prohibiting plan benefits from being offset or reduced by any proportion of the benefits receivable under the Old Age Security Act.

11. Retirement Age

For a number of years the accepted age for retirement has been 65. In fact, in many employment situations employees are compelled to retire upon reaching age 65. Over the past few years objection to a compulsory retirement age has grown considerably. This can be attributed, in part, to people living longer and enjoying better health in their senior years, and also to the erosion of the value of savings and retirement income as the result of inflation. Most pension plans also use 65 as the age at which entitlement to a normal

pension occurs. Many also allow for a pension to be paid at an age earlier than 65, and some provide for further benefits to be earned if retirement is deferred past age 65. Normally, where a pension plan does allow for either, or both, early and deferred retirement, the ability of an employee to take advantage of these provisions is conditional upon his obtaining the consent of the employer.

Recommendation

Pension plans should define normal pension eligibility age as the age at which pensions may commence without being actuarially adjusted.

An actuarially adjusted pension should be available to a vested employee, without employer consent, during at least the 5 year period immediately prior to normal pension eligibility age.

If employment continues beyond normal pension eligibility age, the benefits accrued at that time should be actuarially adjusted when actual retirement occurs.

In addition, a pension plan may, at the employer's discretion, provide for accrual of further benefits during the deferred period.

12. Inflation Protection

The impact of inflation on a fixed level of pension can be significant, with the consequent reduction in purchasing power of the pension creating financial hardship for a considerable number of pensioners. The most effective means of maintaining and purchasing power of pensions is to reduce inflation itself, and this is a responsibility of governments, employers and employees as well as of society as a whole.

The costs associated with a mandatory system of inflation protection are significant and to impose these on employers who have voluntarily established pension plans is unfair. Employers without pension plans

will not be called upon to bear similar costs. The imposition of a mandatory system of inflation protection may very well tip the scales against the establishment of new plans and also continuance of present defined benefit plans.

The competitive position of domestic employers as compared to that of employers in the international market must be considered when mandating pension plan provisions which will impose additional costs on only domestic employers. Alberta employers must continue to remain competitive in current and future international markets.

Recommendation

No mandatory system of inflation protection should be required. Employers should be encouraged to provide voluntary inflation protection and ad hoc pension increases as their financial conditions permit.

D. COST OF THE RECOMMENDATIONS

The cost of the suggested enhancements will vary from one plan to another. Costs will depend on whether the plan is contributory or non-contributory, the type of benefits that are provided, the employee turnover rates, the plan membership's demographic features, the current funded status of the plan, etc.

The Federal Green Paper - "Better Pensions for Canadians", indicated that the costs of their proposals in respect of items 1 (vesting and locking-in), 2 (minimum employer input), and 3 (interest on employee contributions) above would be minimal. The Business Committee on Pension Policy has stated that the longer term cost of the federal proposals in respect of these first three items, including absolute vesting on death, would range between 0.1% and 0.5% of payroll. The Business Committee's cost estimates support similar cost estimates performed by other groups. Since Alberta's recommended position on vesting is not as stringent as outlined in the Federal Green Paper, long term costs of the Alberta recommended position on these first three items will be slightly lower.

There is no increased cost associated with item 4 (portability). Item 5 (disclosure requirements) would add to plan administration costs but these would be very modest.

The costs involved with providing a pre-retirement death benefit in item 6 are very small and have already been included in the 0.1% to 0.5% payroll cost estimate above. There is no increased cost associated with the post-retirement survivor benefit in item 6.

No cost increases would result in item 7 (division of pension benefits on marriage breakdown), as the recommendation calls for a splitting of the current value of the accrued pension benefit.

The cost of the suggested Alberta position in respect of plan membership (item 8) will vary depending particularly on the size of an employer's part-time employee group. On average the cost will be quite small since the bulk of the affected employees would be young and many may choose not to join the pension plan.

There are no increased costs associated with item 9 (multi-employer plans).

There are very few plans which currently offset accrued benefits by amounts payable under the OAS. Item 10 would in all likelihood cause these few plans to redesign their benefit structure to compensate for the removal of the OAS offset and therefore no cost increases would occur.

Items 11 would cause no cost increases as the pension benefit to be paid would always be actuarially adjusted to reflect the earlier or later commencement of the benefit payment. There is no cost associated with item 12 (inflation protection).

In summary, beyond the cost increases of between 0.1% and 0.5% of payroll associated with items, 1, 2 and 3 above, costs increases should be very modest.

APPENDIX I

SUMMARY OF RETIREMENT INCOME AND EXPENSE REDUCTION SOURCES

Statutory Non-Employment Related Income Sources:

1. Old Age Security Program - universal.
2. Guaranteed Income Supplement - income test.
3. The Spouse's Allowance - income test.
4. Alberta Assured Income Plan - income test.
5. Alberta Widows' Pension Program - income test.

Maximum Monthly Benefits Available Under Above Five Programs
As Of January 1, 1984

	Widow Age 55 To 64	Single Person	Couple Both Age 65 Or Over	Couple One 65 Or Over, One 60 To 64
OAS	-	$263.78	$ 527.56	$ 263.78
GIS	-	$265.60	$ 409.72	$ 204.86
Spouse's Allowance	-	-	-	$ 468.64
AAIP	-	$ 95.00	$ 190.00	$ 95.00
AWPP	$624.00	-	-	-
	$624.00	$624.38	$1127.28	$1032.28

Statutory Employment Related Income Sources:

1. Canada Pension Plan (maximum benefit in 1984 is $387.50/month).

Private Employment Related Income Sources:

1. Private Pension Plans.
2. Deferred Profit Sharing Plans.
3. Thrift and Savings Plans.

Individual Personal Savings:

1. Registered Retirement Savings Plans.
2. Personal Savings and Investments.
3. Home and Real Estate Ownership.

Expense Reduction Initiatives:

1. Government Sponsored Subsidy and Benefit Programs.
2. Private Sector Discounts.

APPENDIX II

GOVERNMENT SPONSORED SUBSIDIARY AND BENEFIT PROGRAMS

A. Health Sciences:

1. Alberta Health Care Insurance Plan - basic health care coverage. (Monthly rate as at January 1, 1984: single - $14.00, family - $28.00.)
2. Alberta Blue Cross Plan - prescriptions, ambulance charges, etc. (Monthly rate as at January 1, 1984: single - $6.60, family - $12.20.)
3. The Extended Health Benefits Program - eyeglasses, dental, hearings aids, etc.
4. Home Care Program - medical services in the home.
5. Nursing Homes, Day Hospitals, Auxiliary Hospitals - medical and nursing services.

B. Housing Services:

1. Renters' Assistance Grant.
2. Renters' Assistance for Mobile Home Owners.
3. Property Tax Reduction.
4. Property Tax Rebate.
5. Senior Citizens' Home Improvement Grant.
6. Subsidized Lodges, Apartments and Homes for Special Care.
7. Senior Citizens' Home Heating Protection Program.

C. General Services:

1. Tuition free or reduced fee courses at educational institutions.
2. Recreational grant assistance for special groups.
3. Senior citizens' drop-in centres and clubs.
4. Facility Grant Program for the establishment of cultural/ recreational centres.
5. New Horizons funding program for groups of 10 or more retirees.
6. Free or minimal cost bus passes.
7. Special transportation services for elderly people.

APPENDIX III

PRIVATE PENSION PLAN STATISTICS

Table 1:

Private Pension Plans and Members - Canada.

Table 2:

Provincial Distribution of Private Pension Plan Members.

Table 3:

Proportion of Employed Paid Workers in the Labour Force Covered by Private Pension Plans by Province, 1982.

TABLE 1

PRIVATE PENSION PLANS AND MEMBERS - CANADA

Year	Plans	Members (,000)
1960	8,920	1,815
1965	13,660	2,346
1970	16,137	2,822
1974	15,853	3,424
1976	15,625	3,902
1978	15,095	4,193
1980	14,586	4,475
1982	15,232	4,658

Source: Statistics Canada, Pension Plans in Canada, 1982

TABLE 2

PROVINCIAL DISTRIBUTION OF PRIVATE PENSION PLAN MEMBERS

Province	1970 (,000)	1974 (,000)	1978 (,000)	1980 (,000)	1982 (,000)
Alberta....................	178	220	307	366	423
British Columbia..........	242	323	491	556	570
Manitoba..................	122	129	172	175	187
New Brunswick.............	64	77	93	102	105
Newfoundland..............	38	49	59	56	68
Nova Scotia...............	95	109	127	138	144
Ontario...................	1,222	1,446	1,669	1,758	1,794
Prince Edward Island......	8	10	11	13	15
Quebec....................	741	939	1,118	1,154	1,172
Saskatchewan..............	85	95	121	131	146
Others....................	27	27	25	26	34
TOTAL.....................	2,822	3,424	4,193	4,475	4,658

Source: Statistics Canada, Pension Plans in Canada, 1982

TABLE 3

PROPORTION OF EMPLOYED PAID WORKERS IN THE LABOUR FORCE COVERED BY PRIVATE PENSION PLANS BY PROVINCE, 1982[1]

Province	Number Of Plan Members	Percentage Of Total Labour Force	Percentage Of Employed Paid Workers[3] In Labour Force
Alberta	423,233	37.0	43.1
British Columbia	569,514	42.3	49.5
Manitoba	187,062	37.7	46.1
New Brunswick	105,397	35.1	43.5
Newfoundland	68,068	31.1	40.8
Nova Scotia	144,088	37.9	46.0
Ontario	1,793,950	39.8	46.6
Prince Edward Island	14,692	26.7	36.7
Quebec	1,171,754	39.0	47.7
Saskatchewan	145,618	32.0	43.3
TOTAL	4,657,935[2]	39.1	46.8

1 Labour force data used are annual averages for 1981 and include the Armed Forces.

2 Includes plan members in Yukon and Northwest Territories and outside Canada.

3 "Paid worker" includes those workers who have an employee-employer relationship and receive remuneration for work but excludes the self-employed and non-paid family workers.

Source: Statistics Canada, Pension Plans in Canada, 1982

APPENDIX IV

SUMMARY OF FEDERAL, BUSINESS COMMITTEE ON PENSION POLICY, AND RECOMMENDED ALBERTA POSITION ON ISSUES IN RESPECT OF PRIVATE PENSION PLANS

Issue	Federal	Business Committee	Alberta
1. Vesting And Locking-In	- 2 years of service.	- 5 years of service and age 30, or 1 year of service and age plus service equals 45 years.	- 5 years of service or plan membership.
2. Value Of Vested Benefit (Minimum Employer Input	- no minimum employer input should be required.	- employer to pay for not less than 50% of the accrued vested benefit.	- employer to pay for some portion of the accrued vested benefit.
3. Interest On Employee Contributions	- a rate which will provide a return comparable to that which is available on other forms of savings.	- based on current external indicator which is simple and reasonable for both employers and employees.	- same as stated for Federal.
4. Portability	- vested employee to have right to transfer total value of accrued benefit to an approved vehicle to the extent the benefit is funded, with the condition that the employer could require that a transfer be made where the value of accrued benefit is below some minimum amount, for example $2,000.	- same as Federal, with the condition that the employer have the right to transfer the value of the accrued benefit to an approved vehicle for shorter service employees.	- same as stated for Federal.

Issue	Federal	Business Committee	Alberta
5. Disclosure	- full disclosure of rights and benefits under pension plan, including access to most pension plan documents, provision of annual benefit statements and benefit statements on termination, retirement or death.	- not included (the Committee has publicly endorsed increased disclosure).	- same as stated for Federal.
6. Survivor Benefits Post-Retirement:	- married employee must elect 60% joint and survivor pension in lieu of normal form of pension. This may be waived by agreement signed by both spouses.	- same as stated for Federal.	- married or co-habiting employee must elect 60% joint and survivor pension in lieu of normal form of pension. This may be waived by agreement signed by both parties.
Pre-Retirement:	- surviving spouse to receive a benefit equal to the full value of deceased's vested benefit, up to a maximum of the value of an immediate 60% survivor pension.	- surviving spouse to receive a benefit equal to the value of a 60% joint and survivor pension option, based on service to date of death.	- same as stated for Business Committee.

Issue	Federal	Business Committee	Alberta
7. Membership Full-Time Employees:	- mandatory at age 25 and 1 year of service.	- no mandatory membership. - optional after age 25 and 1 year of service.	- no mandatory membership. - optional after 1 year of service.
Part-Time Employees:	A mandatory at age 25 and 3 years of service, provided the employee works at least 50% of normal work period.	- no mandatory membership. - optional after age 25 and 2 years of service.	- no mandatory membership. - optional after 1 year of service.
Other:	- promote expansion through revision of present pension tax system.	- not included.	- promote expansion of the number of plans.
8. Inflation Protection	- pensions and deferred pensions accrued after legislative change to be adjusted annually by 60% of the change in the Consumer Price Index to a maximum of 8%.	- voluntary inflation adjustments by employers encouraged by favourable funding treatment and appropriate tax incentives. - opposes any system of mandatory post-retirement inflation adjustments (this was not supported by the Canadian Life and Health Insurance Association).	- no mandatory system of inflation protection.

APPENDIX V

BUSINESS COMMITTEE ON PENSION POLICY

Association of Canadian Pension Management

Business Council of National Issues

The Canadian Bankers' Association

Canadian Chamber of Commerce

Canadian Federation of Independent Business

Canadian Gas Association

Canadian Life and Health Insurance Association

The Canadian Manufacturers' Association

Canadian Petroleum Association

Canadian Pulp and Paper Association

Canadian Stock and Exchanges and Investment Dealers Association

Financial Executives Institute Canada

Trust Companies Association of Canada

APPENDIX VI

GLOSSARY OF TERMS

ACCRUED BENEFIT: The amount of pension credited to a plan member up to a given time according to service, earnings, etc.

ACTUARIALLY ADJUSTED/EQUIVALENT: The reduced or increased amount of monthly pension payments when taken in a form other than the normal form of pension or at a date other than normal retirement date, but representing the same total value over the entire term of the expected payments.

ACTUARY: A mathematician who specializes in apply probabilities of longevity, inflation, turnover rates etc. to financial operations such as pension plans.

CONTRIBUTORY PENSION PLAN: A plan in which the members are required to contribute towards benefits.

DEFERRED PENSION BENEFIT: A pension whose payments have been delayed for a period of time.

DEFERRED RETIREMENT DATE: The date, beyond normal retirement date, at which actual retirement occurs.

DEFINED BENEFIT PENSION PLAN: A plan which defines the pension benefit to be provided and undertakes to meet whatever costs prove to be necessary.

EARLY RETIREMENT DATE: The date, prior to normal retirement date, at which actual retirement occurs.

JOINT AND SURVIVOR PENSION: A form of pension payment where payments are made until the employee's death and continue thereafter at the same or reduced amount to a designated person until that person's death.

LOCKING-IN: Contributions to a plan may not be withdrawn, but must be used to provide a pension on retirement.

MONEY PURCHASE PENSION PLAN (DEFINED CONTRIBUTION PENSION PLAN): A plan which defines the rate of contribution but promises to pay at retirement only whatever benefits the accumulated funds can purchase.

MULTI-EMPLOYER PENSION PLAN: A pension plan which covers employees of more than one employer in a similar industry. The employers are usually not financially related.

NON-CONTRIBUTORY PENSION PLAN: A pension plan to which the member is not required to contribute.

NORMAL FORM OF PENSION: Amount and other features of the pension payable on retirement unless the employee selects an optional form of benefit.

NORMAL PENSION: The amount of pension, according to the benefit formula, to which an employee is entitled on reaching normal retirement date, based on earnings and/or service.

NORMAL RETIREMENT DATE: The date specified in the pension plan at which employees are expected to retire; may be the earliest age at which an unreduced pension is payable.

PORTABILITY: A provision which enables employees to transfer their pension credits from one pension plan or retirement income plan to another when changing employment.

PRIVATE PENSION PLAN: A plan established and maintained by an employer or group of employers primarily to provide for retirement income for employees.

RETIREMENT DATE: The date at which pension payments begin in respect of a retired employee.

SINGLE EMPLOYER PENSION PLAN: A pension plan which covers employees of one employer or employees of two or more financially related employers.

VESTING: The right of the member to:
- (a) the contributions made by the employer on the member's behalf, or
- (b) the benefits provided by the contributions made by the employer on the member's behalf.

VOLUNTARY PENSION PLAN: A pension plan in which plan membership is not a condition of employment.

YEAR'S MAXIMUM PENSIONABLE EARNINGS (YMPE): Term used in the Canada Pension Plan (CPP) to mean the maximum annual earnings on which CPP contributions and benefits are based.